

NAMA KHOI

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

NAMA KHOI MUNICIPALITY

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NAMA KHOI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

Nama Khoi Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Nama Khoi Municipality includes the towns of Springbok, Concordia, Okiep, Steinkopf, Nababeep and Komaggas.

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	WT Cloete
Speaker	JC Losper
Executive Councillor	KT Ventura

MUNICIPAL MANAGER

M Booysen (Acting)

CHIEF FINANCIAL OFFICER

WJ Bowers (Acting)

REGISTERED OFFICE

P.O. Box 17
SPRINGBOK
8240

AUDITORS

Auditor-General
P.O. Box 446
PRETORIA
0001

PRINCIPLE BANKERS

ABSA Bank

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Consumer Protection Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

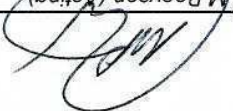
NAMA KHOI MUNICIPALITY

MEMBERS OF THE NAMA KHOI MUNICIPALITY

COUNCILLORS	
1	KR Groenewald
2	EF Maritz
3	FX Cupido
4	V van Dyk
5	S Kleinbooi
6	G Cloete
7	SD Hoskin
8	WJ Goedeman
9	GY Pieters
Proportional	LF Faber
Proportional	AM Magerman
Proportional	SJC van Wyk
Proportional	JC Losper
Proportional	KS Ventura
Proportional	WT Cloete
Proportional	WS Jordaan
Proportional	GJ Coetzee

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 67 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.


M. Booyesen (Acting)
Municipal Manager


Date 31 08 2011

NAMA KHOI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		345 284 278	342 554 490
Capital Replacement Reserve	2	1 500 000	1 500 000
Public Contributions Reserve	2	23 854 809	23 854 809
Accumulated Surplus/(Deficit)		319 929 469	317 199 681
Non-Current Liabilities		25 952 854	25 743 719
Long-term Liabilities	3	5 168 111	7 686 422
Non-Current Employee Benefits	4	13 258 365	10 795 334
Non-Current Provisions	5	7 526 378	7 261 963
Current Liabilities		45 676 518	34 054 390
Consumer Deposits	6	1 320 826	1 259 629
Current Employee benefits	7	3 758 059	3 618 794
Provisions	8	-	-
Payables from exchange transactions	9	9 754 751	20 220 966
Unspent Conditional Government Grants and Receipts	10	19 366 863	4 526 665
Unspent Public Contributions	11	644 256	40 362
Taxes	12.1	2 616 432	1 889 663
Operating Lease Liability	20.1	-	3 645
Cash and Cash Equivalents	21	5 295 995	-
Current Portion of Long-term Liabilities	3	2 919 336	2 494 666
Total Net Assets and Liabilities		416 913 650	402 352 600
ASSETS			
Non-Current Assets		371 892 399	370 420 225
Property, Plant and Equipment	13	371 148 329	369 816 860
Investment Property	14	163 255	163 255
Intangible Assets	15	19 402	19 401
Long-Term Receivables	16	561 413	420 709
Current Assets		45 021 441	31 932 375
Inventory	17	1 729 609	691 772
Receivables from exchange transactions	18	9 851 880	7 717 704
Receivables from non-exchange transactions	19	10 801 034	9 441 876
Unpaid Conditional Government Grants and Receipts	10	1 198 217	4 557 881
Operating Lease Asset	20.2	271 662	277 077
Taxes	12	-	-
Current Portion of Long-term Receivables	16	27 323	178 446
Cash and Cash Equivalents	21	21 141 716	9 067 619
Total Assets		416 913 840	402 352 600

NAMA KHOI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 (Actual) R	2010 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		49 593 040	93 963 596
Taxation Revenue		22 060 825	20 096 156
Property taxes	22	22 060 825	20 096 156
Transfer Revenue		27 354 378	68 957 027
Government Grants and Subsidies - Capital	23	-	-
Government Grants and Subsidies - Operating	23	27 290 878	65 705 971
Public Contributions and Donations		63 500	50 000
Contributed Property, Plant and Equipment		-	3 201 056
Other Revenue		177 837	4 910 413
Actuarial Gains		-	897 541
Third Party Payments		-	-
Other		-	3 836 002
Fines		177 837	176 870
Revenue from Exchange Transactions		69 185 689	59 719 360
Service Charges	24	60 561 249	52 312 502
Rental of Facilities and Equipment		1 041 306	1 221 086
Interest Earned - external investments		722 720	553 869
Interest Earned - outstanding debtors		1 002 980	779 392
Licences and Permits		1 010 881	901 715
Income for Agency Services		941 878	939 112
Other Income	25	3 442 085	2 643 529
Property Rates - penalties imposed and collection charges		456 252	362 020
Unamortised Discount - Interest		6 338	6 135
Gain on disposal of Property, Plant and Equipment		-	-
Total Revenue		118 778 729	153 682 956
EXPENDITURE			
Employee related costs	27	41 029 404	37 833 840
Remuneration of Councillors	28	3 714 772	3 580 901
Debt Impairment	29	1 299 996	2 190 556
Collection costs		-	5 312
Depreciation and Amortisation	30	1 261 368	12 707 621
Impairments	31	-	1 701 765
Repairs and Maintenance		7 118 357	6 992 095
Actuarial losses	4	919 729	-
Finance Charges	32	2 461 639	2 778 914
Unamortised Discount - Interest Paid		341 012	405 925
Bulk Purchases	33	46 855 848	39 919 620
Contracted services		842 942	982 848
Stock Adjustments		-	1 070 050
Operating Grant Expenditure		19 425	13 569 085
General Expenses	34	10 184 450	10 426 814
Loss on disposal of Property, Plant and Equipment		-	-
Fair Value Adjustments	26	-	-
Total Expenditure		116 048 942	134 165 346
NET SURPLUS/(DEFICIT) FOR THE YEAR		2 729 787	19 517 610

NAMA KHOI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Public Contributions Reserve	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2009	21 298 478	1 256 679	294 807 198	317 362 355
Change in accounting policy		-	-	-
Correction of error	-	-	5 674 525	5 674 525
Restated Balance at 1 JULY 2009	21 298 478	1 256 679	300 481 723	323 036 880
Transfer to/from CRR	-	243 321	(243 321)	-
Donated Property, Plant and Equipment	3 201 056	-	(3 201 056)	-
Offsetting of depreciation	(644 725)	-	644 725	-
Net Surplus for the year	-	-	19 517 610	19 517 610
Restated Balance at 30 JUNE 2010	23 854 809	1 500 000	317 199 681	342 554 490
Balance at 1 JULY 2010	23 854 809	1 500 000	312 072 643	337 427 452
Change in accounting policy	-	-	-	-
Correction of error	-	-	5 127 039	5 127 039
Restated balance at 1 JULY 2010	23 854 809	1 500 000	317 199 682	342 554 491
Transfer to/from CRR				
Offsetting of depreciation				-
Net Surplus for the year	-	-	2 729 787	2 729 787
Balance at 30 JUNE 2011	23 854 809	1 500 000	319 929 469	345 284 278

NAMA KHOI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	30 JUNE 2011 R	30 JUNE 2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates and taxes		21 157 919	19 657 546
Sales of goods and services		60 853 326	54 381 701
Grants and public contributions		46 158 134	59 504 514
Interest received		1 725 700	1 333 261
Dividends		-	-
Other		3 626 260	10 761 133
Payments			
Employees and councillors		(42 141 880)	(40 107 402)
Suppliers		(77 525 672)	(60 002 381)
Finance charges	32	(2 461 639)	(2 778 914)
Other payments		(1 260 741)	(1 481 287)
Transfers and Grants		-	-
Cash generated by operations	36	10 131 407	41 268 171
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(1 331 469)	(36 403 931)
Purchase of Investment property		-	6 223
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Intangible Assets		(1)	(16 841)
Decrease/(Increase) in Long-term receivables	16	10 419	275 243
Net Cash from Investing Activities		(1 321 051)	(36 139 306)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(2 093 641)	(1 060 102)
New loans raised		-	-
Increase in Consumer Deposits		61 197	192 057
Net Cash from Financing Activities		(2 032 444)	(868 045)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6 777 912	4 260 820
Cash and Cash Equivalents at the beginning of the year		9 067 619	4 806 799
Cash and Cash Equivalents at the end of the year	37	15 845 721	9 067 619
NET INCREASE IN CASH AND CASH EQUIVALENTS		6 778 102	4 260 820

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
IAS 19 (AC116)	Employee Benefits
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.1. BASIS OF PREPARATION (CONTINUE)

IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011
GRAP 104	Financial Instruments	1 April 2012

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.1. BASIS OF PREPARATION (CONTINUE)

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

As noted below, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 11 to 14 have been disclosed in the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 103	Heritage Assets No adjustments will necessary as the Municipality has no heritage assets.	1 April 2012
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUE)

GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7. RESERVES

1.7.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.7.2 *Public Contributions Reserve*

When items of property, plant and equipment are financed from public contributions, a transfer is made from accumulated surplus/(deficit) to the Public Contributions Reserve equal to the Public Contribution recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions Reserve to accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus/ (deficit).

1.8. LEASES

1.8.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.8. LEASES (CONTINUE)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2 *Municipality as Lessor*

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.11. PROVISIONS (CONTINUE)

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.12. EMPLOYEE BENEFITS

(a) Post Retirement Medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

(b) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.12. EMPLOYEE BENEFITS (CONTINUE)

(c) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(d) Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14. PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14. PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

1.14.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.15. INTANGIBLE ASSETS (CONTINUE)

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.16. INVESTMENT PROPERTY (CONTINUE)

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.17. NON-CURRENT ASSETS HELD FOR SALE

1.17.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.17.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUE)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUE)

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.19. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.20. INVENTORIES

1.20.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and trade and other payables.

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.21.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.21. FINANCIAL INSTRUMENTS

1.21.2.2 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.3 Trade and Other Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.21. FINANCIAL INSTRUMENTS (CONTINUE)

1.21.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.3 *De-recognition of Financial Instruments*

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.21. FINANCIAL INSTRUMENTS (CONTINUE)

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.2.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE

1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.22. REVENUE (CONTINUE)

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Trade and Other Payables in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.22. REVENUE (CONTINUE)

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.22. REVENUE (CONTINUE)

1.22.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In respect of transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality would have adopted if dealing with that individual or entity at arm's length in the same circumstances, the municipality will disclose:

- (a) The nature of the related party relationships;
- (b) The types of transactions that have occurred; and
- (c) The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUE)

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	1 500 000	1 500 000
Public Contributions Reserve	23 854 809	23 854 809
Total Net Asset Reserves	25 354 809	25 354 809
2.1 The Capital Replacement Reserve is used to finance future capital expenditure from own		
2.2 The Donations and Public Contributions Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not cash backed.		
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	8 045 688	10 195 818
Capitalised Lease Liability - At amortised cost	840 241	1 057 154
Hire Purchase	-	67 610
	8 885 929	11 320 582
Current Portion transferred to Current Liabilities	(2 919 336)	(2 494 666)
Annuity Loans - At amortised cost	(2 623 648)	(2 150 152)
Capitalised Lease Liability - At amortised cost	(295 688)	(276 904)
Hire Purchase	-	(67 610)
	5 966 593	8 825 916
Unamortised charges on loans	(798 482)	(1 139 494)
Balance 1 July	(1 139 494)	(1 545 419)
Adjustment for the period	341 012	405 925
Total Long-term Liabilities - At amortised cost using the effective interest rate method	5 168 111	7 686 422
The obligations under finance leases are scheduled below:	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	518 914	501 129
Payable within two to five years	619 330	1 092 600
Payable after five years	-	-
	1 138 244	1 593 729
Less: Future finance obligations	(298 003)	(536 575)
Present value of lease obligations	840 241	1 057 154
Leases are secured by property, plant and equipment - Note 13		
The obligations under hire purchase agreements are scheduled below:	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	-	69 025
Payable within two to five years	-	-
Payable after five years	-	-
	-	69 025
Less: Future finance obligations	-	(1 415)
Present value of hire purchase obligations	-	67 610

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
4 NON-CURRENT EMPLOYEE BENEFITS		
Post Retirement Health Care Benefits - Refer to Note 4.1	13 258 365	10 795 334
Total Non-current Employee Benefit Liabilities	13 258 365	10 795 334
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	10 967 318	10 371 719
Contribution for the year	751 102	730 250
Interest Cost	1 002 438	923 366
Expenditure for the year	(191 026)	(160 476)
Actuarial Loss/(Gain)	919 729	(897 541)
Total Post Retirement Health Care Benefits 30 June	13 449 561	10 967 318
Less: Transfer of Current Portion - Note 7	(191 196)	(171 984)
Balance 30 June	13 258 365	10 795 334
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	10 967 318	10 371 719
Contribution for the year	751 102	730 250
Interest cost	1 002 438	923 366
Expenditure for the year	(191 026)	(160 476)
Actuarial Loss/(Gain)	919 729	(897 541)
Total employee benefits 30 June	13 449 561	10 967 318
Less: Transfer of Current Portion - Note 7	(191 196)	(171 984)
Balance 30 June	13 258 365	10 795 334
4 EMPLOYEE BENEFITS (CONTINUE)		
4.1 Post Retirement Health Care Benefits		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	62	57
In-service (employee) non-members	252	230
Continuation members (e.g. Retirees, widows, orphans)	8	8
Total Members	322	295
The liability in respect of past service has been estimated to be as follows:		
In-service members	9 982 151	7 966 447
Continuation members	3 467 410	3 000 871
Total Liability	13 449 561	10 967 318
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2009 R
In-service members		7 533 815
Continuation members		2 837 904
Total Liability		10 371 719
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Hosmed		
LA Health		
Key Health, and		
SAMWU Medical Aid		
The Current-service Cost for the ensuing year is estimated to be R1 025 637, whereas the Interest Cost for the next year is estimated to be R1 181 025 .		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Health Care Benefits

Key actuarial assumptions used:

i) Rate of interest

Discount rate	2011 %	2010 %
Health Care Cost Inflation Rate	8.84%	9.21%
Net Effective Discount Rate	7.35%	7.26%
	1.39%	1.82%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	13 258 365	10 795 334
Net liability/(asset)	13 258 365	10 795 334

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	10 967 318	10 371 719
Total expenses	1 562 514	1 493 140
Current service cost	751 102	730 250
Interest Cost	1 002 438	923 366
Benefits Paid	(191 026)	(160 476)
Actuarial (gains)/losses	919 729	(897 541)
Present value of fund obligation at the end of the year	13 449 561	10 967 318
Less: Transfer of Current Portion - Note 7	(191 196)	(171 984)
Balance 30 June	13 258 365	10 795 334

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	9.982	3.467	13.449	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	11.947	4.025	15.972	19%
Health care inflation	-1%	8.416	3.016	11.432	-15%
Post-retirement mortality	-1 year	10.313	3.571	13.884	3%
Average retirement age	-1 year	10.984	3.467	14.451	7%
Withdrawal Rate	-50%	10.924	3.467	14.391	7%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4 EMPLOYEE BENEFITS (CONTINUE)**4.2 Retirement funds**

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes.

Both the Cape Joint Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. GRAP25.31 state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality was not supplied with information on the Municipality's share of the Pension and Retirement Funds' assets by fund administrator.

Combined plans (including both defined benefit and defined contribution members)**CAPE JOINT PENSION FUND**

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%). Since the fund's financial year end at 30 June 2009, its actuary had been investigating the investment return for the past financial year. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. The pro-rata portion owed by the Municipality was calculated at R221 047. Refer to note 7 for provision made.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100,3% (30 June 2009 - 103,3%).

Defined contribution plans

Council contribute to the Sanlam Umbrella Pension Fund, Old Mutual Optimum Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with contribution being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	2011 R	2010 R
Contributions paid recognised in the Statement of Financial Performance	4 079 201	4 028 756

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	7 526 378	7 261 963
Total Non-current Provisions	7 526 378	7 261 963

Provision is made for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 6% and discounted to present value at the return on investments of 3%; hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2011 and 2020.

Landfill Sites

Balance 1 July	7 261 963	7 010 116
Contribution for the year	-	-
Expenditure for the year	-	-
Interest Expense	264 415	251 847
Total provision 30 June	7 526 378	7 261 963
Less: Transfer of Current Portion to Current Provisions - Note 8	-	-
Balance 30 June	7 526 378	7 261 963

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
6 CONSUMER DEPOSITS		
Electricity	477 919	460 823
Water	842 986	798 885
Other	(79)	(79)
Total Consumer Deposits	1 320 826	1 259 629
Guarantees held in lieu of Electricity and Water Deposits	-	-
The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Health Care Benefits - Note 4	191 196	171 984
Staff Leave	2 459 569	2 339 516
Bonuses	886 247	886 247
Shortfall Cape Joint Pension Fund	221 047	221 047
Total Current Employee Benefits	3 758 059	3 618 794
The movement in current employee benefits are reconciled as follows:		
<u>Staff Leave</u>		
Balance at beginning of year	2 339 516	1 971 446
Contribution to current portion	524 701	447 880
Expenditure incurred	(404 648)	(79 810)
Balance at end of year	2 459 569	2 339 516
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<u>Bonuses</u>		
Balance at beginning of year	886 247	-
Contribution to current portion	-	886 247
Expenditure incurred	-	-
Balance at end of year	886 247	886 247
Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
<u>Shortfall Cape Joint Pension Fund</u>		
Balance at beginning of year	221 047	-
Contribution to current portion	-	221 047
Expenditure incurred	-	-
Balance at end of year	221 047	221 047
It was reported that the established investment return of the fund for the past financial year was -0.94%. Local authorities, including the municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.		
8 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 4	-	-
Total Provisions	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9

PAYABLES FROM EXCHANGE TRANSACTIONS

	2011 R	2010 R
Trade Payables	9 996 819	14 706 497
Arrear Portion of Long Term Liabilities	-	797 188
Pre-paid electricity	375 538	350 538
Sundry Creditors	830 850	1 436 782
Payments received in advance	-	989 341
Retentions	860 233	860 233
Accrued Interest	49 728	56 650
Sundry Deposits	29 480	27 389
CONTRA SUSP REC'S / PAYMENTS	(2 387 897)	996 348
Traffic Fines Control	-	-
Total Trade Payables	9 754 751	20 220 966

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include library deposits.

10 **UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS****Unspent Grants**

	19 366 863	4 526 665
National Government Grants	10 695 699	1 541 922
Provincial Government Grants	7 810 136	2 133 575
District Municipality	861 028	851 168
Other Grant Providers	-	-
Less: Unpaid Grants	1 198 217	4 557 881
National Government Grants	1 197 905	4 366 780
Provincial Government Grants	312	162 040
District Municipality	-	29 061
Other Grant Providers	-	-
Total Conditional Grants and Receipts	18 168 646	(31 216)

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 **UNSPENT PUBLIC CONTRIBUTIONS**

Wade Project	40 362	40 362
Namakwa Diamond Fields Trust	603 894	-
Total Unspent Public Contributions	644 256	40 362
Reconciliation of public contributions		
<u>Wade Project</u>		
Opening balance	40 362	40 362
Contributions received	-	-
Conditions met - Transferred to revenue	-	-
Closing balance	40 362	40 362
<u>Namakwa Diamond Fields Trust</u>		
Opening balance	-	-
Contributions received	600 000	-
Interest earned on investment	3 894	-
Conditions met - Transferred to revenue	-	-
Closing balance	603 894	-

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
12	TAXES		
12.1	VAT PAYABLE		
	VAT Payable	-	681 916
	VAT output in suspense	3 700 901	3 096 601
	Total Vat payable	3 700 901	3 778 517
12.2	VAT RECEIVABLE		
	VAT Refundable	1 295 562	
	VAT input in suspense	(211 093)	1 888 854
	Total VAT receivable	1 084 469	1 888 854
12.3	NET VAT RECEIVABLE/(PAYABLE)	(2 616 432)	(1 889 663)
	VAT is receivable/payable on the cash basis.		

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Depreciation and Impairment Losses					Carrying Value	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation for year	Impairment expense	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	15 924 895	-	-	-	15 924 895	1 557 003	-	-	-	-	1 557 003	14 367 892
Land	6 687 936	-		-	6 687 936	-	-			-	-	6 687 936
Buildings	9 236 956			-	9 236 956	1 557 003	-			-	1 557 003	7 679 953
Infrastructure	343 553 970	-	-	-	343 553 970	29 715 301	948 326	-	-	-	30 663 627	312 890 343
Roads and Streets	108 178 707	-		-	108 178 707	10 400 688	-			-	10 400 688	97 778 019
Airport	758 765				758 765	113 815	-			-	113 815	644 950
Sewerage Mains and Purification	70 904 211				70 904 211	5 250 404	-			-	5 250 404	65 653 807
Electricity mains	62 200 235				62 200 235	3 917 467	-			-	3 917 467	58 282 768
Electricity Peak Load equipment	-				-	-	-			-	-	-
Water Mains & Purification	86 331 208				86 331 208	6 101 168	-			-	6 101 168	80 230 040
Stormwater	8 751 278				8 751 278	553 698	-			-	553 698	8 197 580
Water Meters	-				-	-	-			-	-	-
Water Mains	-				-	-	-			-	-	-
Landfill Sites	6 899 335				6 899 335	2 904 770	948 326			-	3 853 096	3 046 239
Community Assets	35 805 172	-	-	-	35 805 172	4 346 626	-	-	-	-	4 346 626	31 458 546
Cemetery	1 037 598	-		-	1 037 598	136 702	-			-	136 702	900 896
Libraries	-				-	-	-			-	-	-
Recreation Grounds	30 868 693				30 868 693	3 121 912	-			-	3 121 912	27 746 781
Civic Buildings	3 540 978				3 540 978	1 028 218	-			-	1 028 218	2 512 760
Lease Assets	1 422 070	59 990	-95 347	-	1 386 713	499 979	313 042	-	-91 298	-	721 723	664 990
Office Equipment	1 550 677	59 800		-	1 610 477	628 586	-			-	628 586	981 891
Heritage Assets	-	-		-	-	-	-			-	-	-
Buildings	-	-		-	-	-	-			-	-	-
Other Assets	13 955 102	2 532 845	95 347	-	16 583 294	4 725 438	-	-	91 298	-	4 816 736	11 766 558
Office Equipment	1 834 158	97 022		-	1 931 180	342 143	-			-	342 143	1 589 037
Furniture and Fittings	401 828				401 828	54 003	-			-	54 003	347 825
Bins and Containers	-				-	-	-			-	-	-
Emergency equipment	42 437				42 437	11 119	-			-	11 119	31 318
Motor Vehicles	4 986 104				4 986 104	620 965	-			-	620 965	4 365 139
Trailers	3 390 199				3 390 199	1 301 761	-			-	1 301 761	2 088 438
Refuse Tankers	-	-		-	-	-	-			-	-	-
Computer Equipment	377 654				377 654	117 766	-			-	117 766	259 888
Error	-	-		-	-	-	-			-	-	-
	410 661 209	2 592 835		-	413 254 044	40 844 347	1 261 368			-	42 105 715	371 148 329

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Accumulated Depreciation and Impairment Losses R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	15 900 019	24 876	-	-	15 924 895	1 249 455	307 548	-	-	1 557 003	14 367 892
Land	6 687 936	-	-	-	6 687 936	-	-	-	-	-	6 687 936
Buildings	9 212 080	24 876	-	-	9 236 956	1 249 455	307 548	-	-	1 557 003	7 679 953
Infrastructure	312 691 976	30 861 994	-	-	343 553 970	19 629 523	9 474 163	611 615	-	29 715 301	313 838 669
Roads and Streets	107 393 237	785 470	-	-	108 178 707	6 877 572	3 523 116	-	-	10 400 688	97 778 019
Airport	758 765	-	-	-	758 765	75 877	37 938	-	-	113 815	644 950
Sewerage Mains and Purification	70 100 069	1 451 042	-646 900	-	70 904 211	3 941 670	1 344 019	-35 285	-	5 250 404	65 653 807
Electricity mains	38 992 595	23 207 640	-	-	62 200 235	2 546 666	1 370 801	-	-	3 917 467	58 282 768
Electricity Peak Load equipment	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	80 913 367	5 417 841	-	-	86 331 208	3 997 832	2 103 336	-	-	6 101 168	80 230 040
Stormwater	8 751 278	-	-	-	8 751 278	369 132	184 566	-	-	553 698	8 197 580
Water Meters	-	-	-	-	-	-	-	-	-	-	-
Water Mains	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	6 899 335	-	-	-	6 899 335	1 936 513	968 257	-	-	2 904 770	3 994 565
Community Assets	34 583 020	1 222 152	-	-	35 805 172	3 127 362	1 219 265	-	-	4 346 627	31 458 545
Cemetery	1 037 598	-	-	-	1 037 598	91 135	45 567	-	-	136 702	900 896
Libraries	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	29 838 842	1 029 851	-	-	30 868 693	2 081 685	1 040 227	-	-	3 121 912	27 746 781
Civic Buildings	3 348 677	192 301	-	-	3 540 978	914 679	113 539	-	-	1 028 218	2 512 760
Lease Assets	689 292	732 778	-	-	1 422 070	202 673	297 307	-	-	499 980	922 090
Office Equipment	817 899	732 778	-	-	1 550 677	302 622	318 741	-	7 223	628 586	922 091
Other Assets	9 344 868	4 610 234	-	-	13 955 102	2 236 251	1 399 037	1 090 150	-	4 725 438	9 229 664
Office Equipment	2 011 968	892 093	-1 069 903	-	1 834 158	494 502	358 981	-511 340	-	342 143	1 492 015
Furniture and Fittings	615 533	112 198	-325 903	-	401 828	121 783	84 469	-152 249	-	54 003	347 825
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-
Emergency equipment	256 484	-	-214 047	-	42 437	77 552	41 802	-108 235	-	11 119	31 318
Motor Vehicles	1 520 897	3 486 407	-21 200	-	4 986 104	383 411	246 640	-9 086	-	620 965	4 365 139
Trailers	3 445 199	-	-55 000	-	3 390 199	844 872	474 675	-17 786	-	1 301 761	2 088 438
Refuse Tankers	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	736 022	119 537	-477 905	-	377 654	238 256	154 622	-275 112	-	117 766	259 888
Error							-90				92
	373 209 175	37 452 034	-	-	410 661 209	26 445 264	12 697 320	1 701 765	-	40 844 349	369 816 860

13 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;
 Property, Plant and Equipment financed by way of finance leases
 Property, Plant and Equipment financed by way of provisions
 Property, Plant and Equipment transferred as a result of the transfer of functions; and
 Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality therefore did not utilise the transitional provision in the following area:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
14 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	163 255	169 478
Cost	222 000	222 000
Accumulated Depreciation	(58 745)	(52 522)
Accumulated Impairment	-	-
Acquisitions	-	-
Under construction	-	-
Disposals	-	-
Depreciation for the year	-	(6 223)
Impairment	-	-
Transfers	-	-
Net Carrying amount at 30 June	163 255	163 255
Cost	222 000	222 000
Accumulated Depreciation	(58 745)	(58 745)
Accumulated Impairment	-	-
15 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	19 402	2 559
Cost	23 517	2 596
Accumulated Amortisation	(4 115)	(37)
Accumulated Impairment	-	-
Additions	-	20 920
Amortisation	-	(4 078)
Impairments	-	-
Disposals	-	-
Net Carrying amount at 30 June	19 402	19 401
Cost	23 517	23 516
Accumulated Amortisation	(4 115)	(4 115)
Accumulated Impairment	-	-
16 LONG-TERM RECEIVABLES		
Housing Loans	179 821	172 019
Eskom Loan	462 424	486 983
Councillors Allowances	-	-
	642 245	659 002
Less: Unamortised charges on loans	(53 509)	(59 847)
Balance 1 July	(59 847)	(65 982)
Adjustment for the period	6 338	6 135
	(27 323)	(178 446)
Less: Current portion transferred to current receivables	(27 323)	(153 886)
Housing Loans	-	(24 560)
Eskom Loan	-	-
	561 413	420 709
Less: Provision for Impairment	-	-
Total Non Current Long Term Receivables	561 413	420 709

RATES

Rates included under debtors represent all balances for which the debtors has made arrangements to settle their balances beyond normal credit terms. No provision for impairment has been made for these debtors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
17 INVENTORY		
Consumable Stores - At cost	1 656 641	618 804
Water – at cost	72 968	72 968
Total Inventory	1 729 609	691 772
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	1 127 483
Consumable stores materials surpluses identified during the annual stores counts.	-	57 432
18 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	3 647 043	3 138 172
Water	8 146 001	6 320 299
Refuse	6 114 695	5 168 428
Sewerage	2 883 028	2 527 765
Other	2 640 044	2 841 975
Total Receivables from Exchange Transactions	23 430 811	19 996 639
Less: Allowance for Doubtful Debts	(13 578 931)	(12 278 935)
Total Net Receivables from Exchange Transactions	9 851 880	7 717 704
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary		
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	1 858 194	2 310 573
31 - 60 Days	245 249	318 396
61 - 90 Days	138 218	73 826
+ 90 Days	1 326 180	435 377
Total	3 567 841	3 138 172
<u>(Water): Ageing</u>		
Current (0 - 30 days)	651 589	942 027
31 - 60 Days	506 549	369 259
61 - 90 Days	353 273	288 753
+ 90 Days	5 873 843	4 720 260
Total	7 385 254	6 320 299
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	481 040	388 516
31 - 60 Days	214 954	158 880
61 - 90 Days	145 935	108 019
+ 90 Days	5 618 876	4 513 013
Total	6 460 805	5 168 428
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	341 332	308 245
31 - 60 Days	119 335	92 335
61 - 90 Days	70 926	54 555
+ 90 Days	2 031 168	2 072 630
Total	2 562 761	2 527 765

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)		
<u>(Other): Ageing</u>		
Current (0 - 30 days)	193 906	1 078 718
31 - 60 Days	158 422	130 982
61 - 90 Days	118 349	118 775
+ 90 Days	3 622 102	716 312
Total	4 092 779	2 044 787
<u>(Total): Ageing</u>		
Current (0 - 30 days)	3 526 061	5 028 079
31 - 60 Days	1 244 509	1 069 852
61 - 90 Days	826 701	643 928
+ 90 Days	18 472 169	12 457 592
Total	24 069 440	19 199 451
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	12 278 935	11 444 720
Contribution to provision/(Reversal of provision)	1 299 996	834 215
Bad Debts Written Off	-	-
Balance at end of year	13 578 931	12 278 935

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	10 376 309	9 014 273
Other Receivables	1 781 066	1 783 944
Accrued Fines	96 089	96 089
Fuel Deposits	10 000	10 000
Eskom Deposits	118 514	118 514
Estimate Consumption	1 284 863	1 284 863
Other	271 600	274 478
Total Receivables from Non-Exchange Transactions	12 157 375	10 798 217
Less: Allowance for Doubtful Debts	(1 356 341)	(1 356 341)
Total Net Receivables from Non-Exchange Transactions	10 801 034	9 441 876
Ageing of Receivables from Non-Exchange Transactions:		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	1 765 270	1 617 928
31 - 60 Days	482 964	499 422
61 - 90 Days	328 400	338 207
+ 90 Days	6 857 792	6 558 716
Total	9 434 426	9 014 273
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	1 356 341	-
Contribution to provision/(Reversal of provision)	-	1 356 341
Bad Debts Written Off	-	-
Balance at end of year	1 356 341	1 356 341

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUE)		

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

20 OPERATING LEASE ARRANGEMENTS**20.1 The Municipality as Lessee (Liability)**

Balance on 1 July	3 645	12 852
Movement during the year	(3 645)	(9 207)
Balance on 30 June	-	3 645.00

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	-	13 275
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	-	13 275

The lease is in respect of the lease of the telephone system. The lease expired on 31/10/2011

20.2 The Municipality as Lessor (Asset)

Balance on 1 July	277 077	256 261
Movement during the year	(5 415)	20 816
Balance on 30 June	271 662	277 077

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	428 002	411 372
1 to 5 Years	1 185 250	1 229 774
More than 5 Years	7 586	165 314
Total Operating Lease Arrangements	1 620 838	1 806 460

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2019

21 CASH AND CASH EQUIVALENTS**Assets**

Call Investments Deposits	21 120 886	7 359 499
Bank Accounts	-	1 694 590
Cash on Hand	20 830	13 530
Total Cash and Cash Equivalents - Assets	21 141 716	9 067 619

Liabilities

Primary Bank Account	(5 295 995)	-
Total Cash and Cash Equivalents - Liabilities	(5 295 995)	-

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
CASH AND CASH EQUIVALENTS (CONTINUE)		
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):	(5 295 995)	1 694 590
FNB - Account Number 62015589635 (Secondary Bank Account):	-	-
	(5 295 995)	1 694 590
<i>ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):</i>		
Cash book balance at beginning of year	1 694 590	143 641
Cash book balance at end of year	(5 295 995)	1 694 590
Bank statement balance at beginning of year	5 359 669	3 567 315
Bank statement balance at end of year	2 209 038	5 359 669
<i>FNB - Account Number 62015589635 (Secondary Bank Account):</i>		
Cash book balance at beginning of year	-	565
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	565
Bank statement balance at end of year	-	-
<u>Call Investment Deposits</u>		
Call investment deposits consist out of the following accounts:		
<i>ABSA Bank Limited - Account Number 9233473306 (Housing):</i>	7 280 601	995 075
<i>ABSA Bank Limited - Account Number 9233471702 (MIG):</i>	5 483 399	2 677 507
<i>ABSA Bank Limited - Account Number 9233472871 (DME):</i>	5 338 060	1 349 810
<i>ABSA Bank Limited - Account Number 9233473372 (Land Sales):</i>	2 416 826	2 337 107
BANK A/C - SUNDRY GRANTS	1 000	-
<i>ABSA Bank Limited - Account Number 9255092704 (NDFT):</i>	600 000	-
<i>ABSA Bank Limited - Account Number 9249915702 (MSIG)</i>	1 000	-
	21 120 886	7 359 499

22

PROPERTY TAXES**Actual****Rateable Land and Buildings**

Residential, Commercial Property, State

Less: Rebates

Total Assessment Rates

22 060 825	22 092 022
22 060 825	22 092 022
-	(1 995 866)
22 060 825	20 096 156

Valuations - 1 JULY 2009**Rateable Land and Buildings**

Residential

Agricultural Purposes

State - National/ Provincial Services

Business

Municipal Property

Total Assessment Rates

1 331 416 905	1 682 684 640
630 662 755	329 434 752
23 198 305	135 734 101
469 304 901	-
8 582 813	117 390 015
2 463 165 679	2 265 243 508

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
PROPERTY TAXES (CONTINUE)		
Rates:		
Residential	1.250c/R	1.250c/R
Commercial	1.250c/R	1.250c/R
Agricultural	1.250c/R	1.250c/R

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

23 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	27 221 134	21 764 938
Equitable Share	27 221 134	21 764 938
Conditional Grants	34 347 031	45 433 037
Grants and donations	34 347 031	45 433 037
Subsidies	-	-
Total Government Grants and Subsidies	61 568 165	67 197 975
Government Grants and Subsidies - Capital	15 935 177	33 938 486
Government Grants and Subsidies - Operating	45 632 988	33 259 489
	61 568 165	67 197 975

The municipality does not expect any significant changes to the level of grants.

23.1 Equitable share

Opening balance	-	-
Grants received	27 221 134	11 196 337
Conditions met - Operating	(27 221 134)	(11 196 337)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.2 Local Government Financial Management Grant

Opening balance	(260 163)	(706 137)
Grants received	1 200 000	750 000
Conditions met - Operating	(1 433 205)	(304 026)
Conditions met - Capital	-	-
Conditions still to be met	(493 368)	(260 163)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.3 Municipal Systems Improvement Grant

Opening balance	(357 930)	(979 006)
Grants received	748 086	850 000
Conditions met - Operating	(442 144)	(228 924)
Conditions met - Capital	(564 361)	-
Conditions still to be met	(616 349)	(357 930)

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
23.4 Municipal Infrastructure Grant		
Opening balance	1 062 268	545 936
Grants received	12 052 050	7 851 000
Conditions met - Operating	-	-
Conditions met - Capital	(7 514 139)	(7 334 668)
Grant expenditure to be recovered	5 600 179	1 062 268

The grant was used to upgrade infrastructure in previously disadvantaged areas.

23.5 Housing

Opening balance	1 825 075	(11 174)
Grants received	21 548 103	11 165 098
Conditions met - Operating	(16 120 617)	(9 328 849)
Conditions met - Capital	-	-
Write off - Irrecoverable grant expenditure	-	-
Grant expenditure to be recovered	7 252 561	1 825 075

Housing grants was utilised for the development of erven and the erection of top structures.

23.6 DME: Electrification - Nama Khoi

Opening balance	(3 748 687)	1 671 006
Grants received	15 000 000	20 130 000
Conditions met - Operating	-	-
Conditions met - Capital	(7 422 680)	(25 549 693)
Conditions still to be met	3 828 633	(3 748 687)

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

23.7 Other Grants

Opening balance	1 448 221	737 960
Grants received	1 998 655	13 965 739
Conditions met - Operating	(415 888)	(12 201 353)
Conditions met - Capital	(433 997)	(1 054 125)
Conditions still to be met	2 596 991	1 448 221

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

23.8 Total Grants

Opening balance	(31 216)	1 258 585
Grants received	79 768 028	65 908 174
Conditions met - Operating	(45 632 988)	(33 259 489)
Conditions met - Capital	(15 935 177)	(33 938 486)
Write off - Irrecoverable grant expenditure	-	-
Conditions still to be met/(Grant expenditure to be recovered)	18 168 647	(31 216)

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	19 366 863	4 526 665
Unpaid Conditional Government Grants and Receipts	(1 198 217)	(4 557 881)
	18 168 646	(31 216)

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
24 SERVICE CHARGES		
Electricity	38 402 206	33 533 216
Water	16 796 208	15 188 710
Refuse removal	5 945 886	5 401 513
Sewerage and Sanitation Charges	4 941 358	4 350 507
	<hr/>	<hr/>
	66 085 658	58 473 946
Less: Rebates	(5 524 409)	(6 161 444)
	<hr/>	<hr/>
Total Service Charges	60 561 249	52 312 502
	<hr/>	<hr/>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25 OTHER INCOME		
Administration Charges	-	1 447
Airport Fuel Service	3 971	13 043
Availability Charges	961	-
Blocked Sewer Removal	182	388
Building Plans	133 844	135 882
Cemetery Fees	42 622	38 457
Commission Collections	42 535	35 422
Communal Water Taps	13 774	75 131
Connection Fee	666 221	456 891
Discount Received	-	16
Fire Brigade Fees	16 520	12 909
Fuel Sales	70 636	575 356
Grazing Fees	674 657	481 060
Land Sales	303 443	84 979
Landing Fees	35 893	38 600
Legal Actions Collections	-	6 169
Live Stock - Dip/Vaccination	153	2 329
Medical Aid	80 561	78 861
Other	-	601
Photocopies	14 122	17 459
Pound Fees	(9 111)	954
Private Jobs	26 512	1 210
Refuse Removal	4 363	43 482
Rezoning Fees	45 964	35 212
SCM Database Fee	1 412	2 347
Search Fees	-	6 881
Sundry	1 194 549	360 072
Tender/Quotation Fee	49 224	108 309
Testing of Meters	-	1 044
Valuation Certificates	29 077	29 018
	<hr/>	<hr/>
Total Other Income	3 442 085.00	2 643 529.00
	<hr/>	<hr/>

26 FAIR VALUE ADJUSTMENTS		
	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

27

EMPLOYEE RELATED COSTS

	2011 R	2010 R
Bargaining Council Levy	-	-
Bonus	2 060 224	1 915 385
Contributions for UIF, pensions and medical aids	5 211 123	5 129 118
Group Life Insurance	-	-
Housing Benefits and Allowances	326 098	425 367
Provision for Leave	524 701	447 880
Long service awards	-	-
Overtime	1 553 205	1 252 480
Post Employment Health	751 102	730 250
Salaries and Wages	27 366 691	24 643 935
Travel, motor car, telephone, assistance and other allowances	3 236 260	3 289 425
	41 029 404	37 833 840
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	41 029 404	37 833 840

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year fixed contract and all other Directors are permanent or acting. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL**Remuneration of the Municipal Manager**

Annual Remuneration	734 702	197 709
Car Allowance	120 000	60 000
Housing Allowance	27 500	12 500
Performance Bonus	-	6 392
Contributions to UIF, Medical and Pension Funds	105 258	4 190
Total	987 460	280 791

Remuneration of the Head Corporate Services

Annual Remuneration	420 517	280 848
Car Allowance	53 310	139 200
Housing Allowance	-	6 624
Performance Bonus	-	23 214
Contributions - UIF, Medical, Pension	48 499	71 240
Total	522 326	521 126

Remuneration of the Head Financial Services

Annual Remuneration	330 650	279 990
Car Allowance	139 200	139 200
Housing Allowance	3 610	4 635
Performance Bonus	-	22 897
Contributions - UIF, Medical, Pension	89 227	78 714
Total	562 687	525 436

Remuneration of Head : Community Development Service

Annual Remuneration	438 851	287 895
Car Allowance	53 310	53 310
Housing Allowance	1 506	6 624
Performance Bonus	-	13 289
Contributions - UIF, Medical, Pension	64 947	52 857
Total	558 614	413 975

Remuneration of Head: LED & Housing

Annual Remuneration	277 134	236 006
Car Allowance	127 200	108 300
Housing Allowance	5 676	6 694
Performance Bonus	-	19 187
Contributions - UIF, Medical, Pension	76 325	69 852
Total	486 335	440 039

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
EMPLOYEE RELATED COSTS (CONTINUE)		
<i>Remuneration of Head: Internal Auditing</i>		
Annual Remuneration	318 134	265 174
Car Allowance	139 200	111 300
Housing Allowance	1 185	1 724
Performance Bonus	-	21 636
Contributions - UIF, Medical, Pension	95 355	82 428
Total	553 874	482 262
<i>Remuneration of Head: Technical Services</i>		
Annual Remuneration	330 650	281 376
Car Allowance	139 200	139 200
Housing Allowance	5 676	6 624
Performance Bonus	-	23 214
Contributions - UIF, Medical, Pension	76 321	63 944
Total	551 847	514 358
<i>Remuneration of Head: Electrical</i>		
Annual Remuneration	415 056	265 500
Car Allowance	236 000	177 000
Housing Allowance	1 250	-
Performance Bonus	-	-
Contributions - UIF, Medical, Pension	1 547	1 157
	653 853	443 657
28 REMUNERATION OF COUNCILLORS		
Mayor	550 631	536 782
Speaker	442 683	433 902
Mayoral Committee Members	478 741	450 072
Councillors	2 242 717	2 160 145
Total Councillors' Remuneration	3 714 772	3 580 901
<i>In-kind Benefits</i>		
The Mayor and Speaker are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Mayor may utilise official Council transportation when engaged in official duties.		
29 DEBT IMPAIRMENT		
Long term Receivables - Note 16	-	-
Trade Receivables from exchange transactions - Note 18	1 299 996	834 215
Trade Receivables from non-exchange transactions - Note 19	-	1 356 341
Unpaid Conditional Government Grants and Receipts - Note		
Total Contribution to Debt Impairment	1 299 996	2 190 556
30 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	1 261 368	12 697 320
Investment Property	-	6 223
Intangible Assets	-	4 078
	1 261 368	12 707 621
31 IMPAIRMENTS		
Property Plant & Equipment	-	1 701 765
	-	1 701 765

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
32 FINANCE CHARGES		
Long-term Liabilities	1 121 846	1 276 435
Payables from exchange transactions	105 075	319 702
Post Employment Health	1 234 718	1 182 777
Total finance charges	2 461 639	2 778 914
33 BULK PURCHASES		
Electricity	32 463 281	25 259 487
Water	14 392 567	14 660 133
Total Bulk Purchases	46 855 848	39 919 620
34 GENERAL EXPENSES		
Advertisement	212 124	117 928
Audit Committee	164 061	42 896
Audit Fees	1 035 823	898 244
Bank Charges	340 170	343 369
Books, Magazines & Publication	15 322	12 523
Cash Shortages	693	1 316
Cleaning	89 957	168 220
Commission - Vendors	-	282 038
Consultancy	69 496	36 792
Data Lines & Modem Costs	87 695	74 094
Employee Recruitment Expense	22 588	20 618
Entertainment	2 545	19 175
Feed Purchases	2 842	2 772
Fuel Airport	64 669	-
Fuel and Oil	2 388 649	2 390 635
Insurance	489 735	411 953
Internal Audit	7 205	-
Lease Payments	74 674	35 500
Legal Expenses	548 292	664 122
Library Programs	50 942	3 076
Library Week	908	9 028
Licences	180 674	104 208
Live Stock - Dip/Vaccination	(59 457)	65 589
Medical Examinations	4 054	43 006
Membership & Subscriptions	32 141	229 545
Other	275 224	169 547
Pauper Burials	1 366	1 398
Postage	529 491	540 619
Printing and Stationary	299 107	716 452
Projects	-	-
Refreshments	91 441	79 150
Refuse Bags	7 420	11 611
Refuse Bins	204	-
Refuse Cleaning Project	52 000	-
Rent	8 100	28 947
SALBC	-	7 685
Sport Governing Bodies	147 800	285 600
Stray Dogs	10 549	-
Telephone	1 103 886	1 059 320
Test of Smamples	61 709	73 470
Test Station Service	4 380	-
Toolbox Items	-	6 457
Training	41 466	3 549
Training Expenses	-	84 433
Travelling and Subsistence	685 132	735 843
Unforeseen Expenditure	267 671	16 145
Valuation Appeal Board	20 337	-
Ward Meetings	2 898	6 434
Water Analysis	44 618	-
Internal Charges	7 573 724	6 937 460
Internal Recoveries	(6 869 875)	(6 313 953)
General Expenses	10 184 450	10 426 814

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

35 CHANGE IN ACCOUNTING POLICY / CORRECTION OF ERROR IN TERMS OF GRAP 3

All changes in accounting policy / correction of error are applied retrospectively unless stated otherwise

Statement of financial position	Year affected	As previously reported June 2010	Correction of error	Change in accounting policy	Restated balance 30 June 2010
Capital Replacement Reserve		1 500 000			1 500 000
Public Contributions Reserve		23 854 808			23 854 808
Accumulated Surplus/(Deficit)		312 072 642	5 127 039	-	317 199 681
36.1 Landfill site provision incorrectly expensed at current cost and not capitalised at present value and depreciation and interest cost not raised	2009		5 003 287		
36.2 Winfin operating lease incorrectly capitalised	2009		19 490		
36.3 Input VAT on development cost Namakwa Estates	2009		705 413		
36.5 Post retirement medical not paid over	2009		(40 813)		
36.6 Winfin operating lease incorrectly capitalised	2009		(12 852)		
Movement 2010 refer statement of financial performance for details			(547 486)		
Long-term Liabilities		7 688 871	(2 449)		7 686 422
36.2 Winfin operating lease incorrectly capitalised as finance lease	2009		(48 148)		
36.2 Winfin operating lease incorrectly capitalised as finance lease	2010		35 119		
36.2 Winfin operating lease incorrectly capitalised as finance lease	2010		10 580		
Non-Current Provisions		5 185 133	2 076 830		7 261 963
36.1 Landfill site provision incorrectly expensed at current cost and not capitalised at present value and depreciation and interest cost not raised	2009		(358 508)		
36.1 Landfill site provision incorrectly expensed at current cost and not capitalised at present value and depreciation and interest cost not raised	2010		(410 448)		
36.1 Short term portion of landfill sites incorrectly calculated	2010		2 845 786		
Non-Current Employee Benefits		10 795 334	-		10 795 334
Consumer Deposits		1 259 630			1 259 630
Provisions		3 066 833	(3 066 833)		-
36.1 Short term portion of landfill sites incorrectly calculated	2010		(2 845 786)		
36.4 Shortfall Cape Joint Pension Fund	2010		(221 047)		
Current Employee Benefits		3 397 747	221 047		3 618 794
36.4 Shortfall Cape Joint Pension Fund	2010		221 047		
Payables from exchange transactions		19 377 836	45 943		19 423 779
36.5 Post retirement medical not paid over	2009		40 813		
36.5 Post retirement medical not paid over	2010		5 130		
Unspent Conditional Government Grants and Receipts		4 526 663			4 526 663
Unspent Conditional Public Contributions and Receipts		40 362			40 362
Taxes		2 595 076	(705 413)		1 889 663
36.3 Input VAT on development cost Namakwa Estates	2009		(705 413)		
Operating Lease Liability			3 645		3 645
36.6 Smoothing of winfin operating lease	2009		12 852		
36.6 Smoothing of winfin operating lease	2010		(9 207)		
Cash and Cash Equivalents					-
Current Portion of Long-term Liabilities		2 505 246	(10 580)		2 494 666
36.2 Winfin operating lease incorrectly capitalised	2010		(10 580)		
Subtotal: Net Assets and Liabilities		397 866 181	3 689 229	-	401 555 410

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

35 CHANGE IN ACCOUNTING POLICY / CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUEU)

All changes in accounting policy / correction of error are applied retrospectively unless stated otherwise

Statement of financial position	Year affected	As previously reported 30 June 2010	Correction of error	Change in accounting policy	Restated balance 30 June 2010
Property, Plant and Equipment		366 127 630	3 689 229		369 816 859
36.1 Landfill site provision incorrectly expensed at current cost and not capitalised at present value and	2009		4 644 779		
36.1 Depreciation on landfill sites	2010		(948 326)		
36.2 Winfin operating lease incorrectly capitalised as finance lease	2009		(28 658)		
36.2 Winfin operating lease incorrectly capitalised as finance lease	2010		21 434		
Investment Property		163 255			163 255
Intangible Assets		19 402			19 402
Long-Term Receivables		420 710			420 710
Inventory		691 772			691 772
Receivables from exchange transactions		6 920 516			6 920 516
Receivables from non-exchange transactions		9 441 876			9 441 876
Unpaid Conditional Government Grants and Receipts		4 557 880			4 557 880
Operating Lease Asset		277 077			277 077
Taxes		-			-
Current Portion of Long-term Receivables		178 445			178 445
Cash and Cash Equivalents		9 067 618			9 067 618
Subtotal: Assets		397 866 181	3 689 229	-	401 555 410
Statement of financial performance					
REVENUE					
Property taxes		20 096 156			20 096 156
Government Grants and Subsidies - Capital		34 112 242			34 112 242
Government Grants and Subsidies - Operating		31 593 729			31 593 729
Public Contributions and Donations		50 000			50 000
Contributed Property, Plant and Equipment		3 201 056			3 201 056
Actuarial Gains		897 541			897 541
Third Party Payments		-			-
Other		3 836 002			3 836 002
Fines		176 870			176 870
Service Charges		52 312 502			52 312 502
Rental of Facilities and Equipment		1 221 086			1 221 086
Interest Earned - external investments		553 869			553 869
Interest Earned - outstanding debtors		779 392			779 392
Licences and Permits		901 715			901 715
Income for Agency Services		939 112			939 112
Other Income		2 643 529			2 643 529
Property Rates - penalties imposed and collection charges		362 020			362 020
Unamortised Discount - Interest		6 135			6 135
Gain on disposal of Property, Plant and Equipment		-			-
Total Revenue		153 682 956			153 682 956

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

CHANGE IN ACCOUNTING POLICY / CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUEU)

All changes in accounting policy / correction of error are applied retrospectively unless stated otherwise

Statement of financial performance	Year affected	As previously reported 30 June 2010	Correction of error	Change in accounting policy	Restated balance 30 June 2010
EXPENDITURE					
Employee related costs		37 828 710	5 130		37 833 840
36.5 <i>Post retirement medical not paid over</i>	2010		5 130		
Remuneration of Councillors		3 580 901			3 580 901
Debt Impairment		2 190 556			2 190 556
Collection costs		5 312			5 312
Depreciation and Amortisation		11 780 730	926 892		12 707 622
36.1 <i>Depreciation on landfill sites</i>	2010		948 326		
36.2 <i>Winfin operating lease incorrectly capitalised as finance lease</i>	2010		(21 434)		
Impairments		1 701 765			1 701 765
Repairs and Maintenance		6 992 095			6 992 095
Actuarial losses		-			-
Finance Charges		2 530 041	248 873		2 778 914
36.1 <i>Interest expense on landfill sites</i>	2010		251 847		
36.2 <i>Winfin operating lease incorrectly capitalised as finance lease</i>	2010		(2 974)		
Unamortised Discount - Interest Paid		405 925			405 925
Bulk Purchases		39 919 620			39 919 620
Contracted services		982 848			982 848
Grants and Subsidies		-			-
Stock Adjustments		1 070 050			1 070 050
Operating Grant Expenditure		13 569 085			13 569 085
General Expenses		11 060 223	(633 409)		10 426 814
36.1 <i>Movement in landfill site provision directly expensed</i>	2010		(662 295)		
36.2 <i>Winfin operating lease incorrectly capitalised as finance lease</i>	2010		38 093		
36.6 <i>Winfin operating lease incorrectly capitalised as finance lease</i>	2010		(9 207)		
Loss on disposal of Property,Plant and Equipment		-			-
Fair Value Adjustments		-			-
Total Expenditure		133 617 860	547 486		133 617 860
NET SURPLUS/(DEFICIT) FOR THE YEAR	2010	20 065 095	(547 486)	-	20 065 095
MOVEMENT IN ACCUMULATED SURPLUS					
OPENING BALANCE 1 JULY 2009 AND PREVIOUS	2009		5 674 525		
TOTAL MOVEMENT IN ACCUMULATED SURPLUS		20 065 095	5 127 039	-	20 065 095

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
36 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	2 729 787	19 517 610
Adjustments for:		
Depreciation	-	12 707 621
Amortisation of Intangible Assets	-	-
Gain on disposal of property, plant and equipment	-	-
Loss on disposal of property, plant and equipment	-	-
Debt Impairment	1 299 996	2 190 556
Debt Impairment - Long term receivables	-	-
Contribution from/to employee benefits	2 602 296	1 307 339
Fair Value Adjustments	-	-
Impairment written off	-	1 701 765
Operating lease income accrued	-	(20 816)
Operating lease expenses accrued	(3 645)	3 645
Operating Surplus/(Deficit) before changes in working capital	6 628 434	37 407 720
Changes in working capital	3 497 558	3 860 450
Increase/(Decrease) in Trade and Other Payables	(10 466 215)	10 765 123
Increase/(Decrease) in Provisions	264 415	(106 661)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	15 444 092	(3 383 605)
Increase/(Decrease) in Taxes	726 769	3 707 324
(Increase)/Decrease in Inventory	(1 037 837)	1 225 974
(Increase)/Decrease in Trade and other receivables	(4 793 330)	(5 479 853)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	3 359 664	(2 867 852)
Cash generated/(absorbed) by operations	10 125 992	41 268 170
37 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 21	21 120 886	7 359 499
Cash Floats - Note 21	20 830	13 530
Bank - Note 21	-	1 694 590
Bank overdraft - Note 21	5 295 995	-
Total cash and cash equivalents	26 437 711	9 067 619
38 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 37	26 437 711	9 067 619
Investments - Note	-	-
Less:	26 437 711	9 067 619
	21 983 295	6 416 328
Unspent Committed Conditional Grants - Note 10	19 366 863	4 526 665
VAT - Note 12	2 616 432	1 889 663
Resources available for working capital requirements	4 454 416	2 651 291
Allocated to:		
Capital Replacement Reserve	1 500 000	1 500 000
Resources available for working capital requirements	2 954 416	1 151 291
39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	8 885 929	11 320 582
Used to finance property, plant and equipment - at cost	(8 885 929)	(11 320 582)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

40

BUDGET COMPARISONS

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
40.1 Operational				
Revenue by source				
Property taxes	22 060 825	23 353 321	(1 292 496)	-5.53%
Government Grants and Subsidies - Capital	-	-	-	0.00%
Government Grants and Subsidies - Operating	27 290 878	30 691 200	(3 400 322)	-11.08%
Public Contributions and Donations	63 500	-	63 500	100.00%
Contributed Property, Plant and Equipment	-	-	-	0.00%
Actuarial Gains	-	-	-	0.00%
Third Party Payments	-	-	-	0.00%
Fines	177 837	279 948	(102 111)	-36.47%
Service Charges	60 561 249	59 438 021	1 123 228	1.89%
Rental of Facilities and Equipment	1 041 306	1 366 722	(325 416)	-23.81%
Interest Earned - external investments	722 720	665 000	57 720	8.68%
Interest Earned - outstanding debtors	1 002 980	844 500	158 480	18.77%
Licences and Permits	1 010 881	1 115 766	(104 885)	-9.40%
Income for Agency Services	941 878	978 207	(36 329)	-3.71%
Other Income	3 442 085	4 507 936	(1 065 851)	-23.64%
Property Rates - penalties imposed and collection charges	456 252	450 000	6 252	1.39%
Unamortised Discount - Interest	6 338	-	6 338	100.00%
Gain on disposal of Property, Plant and Equipment	-	-	-	0.00%
	<u>118 778 729</u>	<u>123 690 621</u>	<u>(4 911 892)</u>	<u>-3.97%</u>
Expenditure by nature				
Employee Related Costs	41 029 404	41 847 074	817 670.00	-1.95%
Remuneration of Councillors	3 714 772	3 871 971	157 199.00	-4.06%
Debt Impairment	1 299 996	1 300 000	4.00	0.00%
Depreciation and Amortisation	1 261 368	11 632 579	10 371 211.00	-89.16%
Impairments	-	-	-	0.00%
Repairs and Maintenance	7 118 357	6 080 143	(1 038 214.00)	17.08%
Actuarial losses	919 729	-	(919 729.00)	-100.00%
Stock Adjustments	-	-	-	0.00%
Finance Charges	2 461 639	1 441 492	(1 020 147.00)	70.77%
Unamortised Discount - Interest Paid	341 012	-	(341 012.00)	-100.00%
Bulk Purchases	46 855 848	43 949 370	(2 906 478.00)	6.61%
Contracted services	842 942	624 000	(218 942.00)	35.09%
Operating Grant Expenditure	19 425	2 123 000	2 103 575.00	-99.09%
General Expenses	10 184 450	14 916 220	4 731 770.00	-31.72%
Loss on disposal of Property, Plant and Equipment	-	-	-	0.00%
Fair Value Adjustments	-	-	-	0.00%
	<u>116 048 942</u>	<u>127 785 849</u>	<u>11 736 907.00</u>	<u>-9.18%</u>
Net Surplus for the year	<u>2 729 787</u>	<u>(4 095 228)</u>	<u>6 825 015.00</u>	<u>-166.66%</u>

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
40.2 Operational Budget by Standard Classification				
Revenue - Standard				
Governance and Administration				
Executive and council	432 104	218 100	(214 004)	98.12%
Budget and Treasury Office	46 828 973	47 697 755	868 782	-1.82%
Corporate Services	990 184	1 364 080	373 896	-27.41%
Community and Public Safety				
Community and Social Services	938 815	1 659 241	720 426	-43.42%
Sport and Recreation	132 636	124 871	(7 765)	6.22%
Public Safety	2 074 128	2 309 984	235 856	-10.21%
Housing	-	-	-	0.00%
Health	-	-	-	0.00%
Economic and Environmental Services				
Planning and Development	-	-	-	0.00%
Road Transport	59 475	3 815	(55 660)	1458.97%
Environmental Protection	-	-	-	0.00%
Trading Services				
Electricity	39 316 912	41 536 712	2 219 800	-5.34%
Water	16 954 514	17 043 535	89 021	-0.52%
Waste Water Management	4 816 186	4 824 213	8 027	-0.17%
Waste Management	6 086 631	6 046 591	(40 040)	0.66%
Other				
Airport	195 003	907 365	712 362	-78.51%
Total Revenue	118 825 560	123 736 262	4 910 702	1396.57%
Expenditure - Standard				
Governance and Administration				
Executive and council	10 815 296	11 006 205	190 909	-1.73%
Budget and Treasury Office	8 017 034	17 019 270	9 002 236	-52.89%
Corporate Services	9 945 958	9 921 319	(24 639)	0.25%
Community and Public Safety				
Community and Social Services	4 166 135	4 414 945	248 810	-5.64%
Sport and Recreation	527 642	1 131 791	604 149	-53.38%
Public Safety	3 765 360	4 011 979	246 619	-6.15%
Housing	-	-	-	0.00%
Health	-	-	-	0.00%
Economic and Environmental Services				
Planning and Development	-	-	-	0.00%
Road Transport	2 895 762	2 734 829	(160 933)	5.88%
Environmental Protection	-	-	-	0.00%
Trading Services				
Electricity	42 399 357	43 287 869	888 512	-2.05%
Water	19 854 535	17 856 483	(1 998 052)	11.19%
Waste Water Management	6 356 146	7 184 686	828 540	-11.53%
Waste Management	7 110 714	8 309 108	1 198 394	-14.42%
Other				
Airport	195 003	907 365	712 362	-78.51%
Total Expenditure	116 048 942	127 785 849	11 736 907	0.00%
Surplus/(Deficit) for the year	2 776 618	(4 049 587)	(6 826 205)	1396.57%

Details of material variances

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
40.3 Capital expenditure by vote				
Expenditure - Standard				
Governance and Administration				
Executive and council	-	-	-	0.00%
Budget and Treasury Office	-	-	-	0.00%
Corporate Services		3 700 000	3 700 000	-100.00%
Community and Public Safety				
Community and Social Services	-	-	-	0.00%
Sport and Recreation		4 000 000	4 000 000	-100.00%
Public Safety	-	-	-	0.00%
Housing		20 178 303	20 178 303	-100.00%
Health	-	-	-	0.00%
Economic and Environmental Services				
Planning and Development	-	-	-	0.00%
Road Transport		8 000 000	8 000 000	-100.00%
Environmental Protection	-	-	-	0.00%
Trading Services				
Electricity		15 350 000	15 350 000	-100.00%
Water		6 579 000	6 579 000	-100.00%
Waste Water Management		4 000 000	4 000 000	-100.00%
Waste Management	-	-	-	0.00%
Other				
Airport			-	0.00%
Total Expenditure	-	61 807 303	61 807 303	-700.00%
	-	-	-	-
	-	123 614 606	123 614 605.90	1.00

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**41.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	65 708 474.80	33 248 279.12
Unauthorised expenditure current year - capital	-	32 460 195.68
Unauthorised expenditure current year - operating	-	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	65 708 474.80	65 708 474.80

Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for depreciation and amortisation

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	Under investigation

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	1 196 987	877 285
Fruitless and wasteful expenditure current year	-	319 702
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	1 196 987	1 196 987

Incident	Disciplinary steps/criminal proceedings
Interest on late payment of creditors	Under investigation
Interest on arrear portion of long term liabilities	Under investigation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
41.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	28 721 155	28 721 155
Irregular expenditure current year	-	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	28 721 155	28 721 155

Incident	Disciplinary steps/criminal proceedings
Non compliance with SCM Regulations	Under investigation

-

41.4 Material Losses**Water distribution losses**

- Kilo litres disinfected/purified/purchased	2 131 197	2 304 581
- Kilo litres lost during distribution	505 550	510 510
- Percentage lost during distribution	24%	22%
Distribution loss (Rand Value)	4 722 784	3 251 949

Electricity distribution losses

- Units purchased (Kwh)	62 503 295	61 694 866
- Units lost during distribution (Kwh)	13 384 610	12 748 841
- Percentage lost during distribution	21%	21%
Distribution loss (Rand Value)	496 277	2 932 233

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

Opening balance	-	-
Council subscriptions	13 827	173 815.00
Amount paid - current year	(13 827)	(173 815.00)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

42.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	674 555	-
Audit fees	1 180 838	1 026 551
Amount paid - current year	(476 942)	(351 996)
Amount paid - previous year	(674 555)	-
Balance unpaid (included in creditors)	703 896	674 555

42.3 VAT - [MFMA 125 (1)(b)]

Opening balance	745 505.00	2 814 831.00
Amounts received - current year	8 543 211.00	9 829 280.00
Amounts claimed - current year (payable)	(12 739 377.00)	(10 938 336.00)
Amounts claimed - current year (received)	4 079 333.00	-
Amount paid - current year	(1 860 646.00)	(960 270.00)
Closing balance - Receivable	(1 231 974.00)	745 505.00

Vat in suspense due to cash basis of accounting

Input VAT	211 093.00	(1 888 854.00)
Output VAT	3 700 901.00	3 096 601.00
Receivable	3 911 994.00	1 207 747.00

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
42.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	387 731	228 145
Current year payroll deductions and Council Contributions	4 938 517	3 904 399
Amount paid - current year	(4 548 079)	(3 744 813)
Balance unpaid (included in creditors)	778 169	387 731

42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	4 079 201	6 981 241
Amount paid - current year	(4 079 201)	(6 981 241)
Balance unpaid (included in creditors)	-	-

42.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2011:

	2011 R Outstanding more than 90 days	2010 R Outstanding more than 90 days
WJ Goedeman	3 565	-
J Steyn	-	15
	-	-
Total Councillor Arrear Consumer Accounts	3 565	15

42.7 Other non-compliance (MFMA 125(2)(e))

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA. The matter has only been addressed after year-end.

Payment to the value of R was not made within 30 days as required by the MFMA.

43 CAPITAL COMMITMENTS**Commitments in respect of capital expenditure:**

Approved and contracted for:

-	-
---	---

This expenditure will be financed from:

External Loans	-	-
Capital Replacement Reserve	-	-
Government Grants	-	-
Own Resources	-	-
District Council Grants	-	-
	-	-

2011	2010
R	R

44 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2010 - 0.5%) Increase in interest rates	183 294.00	(5 635.00)
0.5% (2010 - 0.5%) Decrease in interest rates	(91 647.00)	5 635.00

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	588 736.00	599 155.00
Receivables from exchange transactions	9 851 880.00	7 717 704.00
Receivables from non-exchange transactions	1 781 066.00	1 783 944.00
Cash and Cash Equivalents	21 141 716.00	9 067 619.00
Unpaid conditional grants and subsidies	1 198 217.00	4 557 881.00
	<u>34 561 615.00</u>	<u>23 726 303.00</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	-	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	11 717 382	-	-	-
Unspent conditional government grants and receipts	19 366 863	-	-	-
Cash and Cash Equivalents	5 295 995			
	<u>36 380 240</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Long Term liabilities	-	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	17 828 089	-	-	-
Unspent conditional government grants and receipts	4 526 665	-	-	-
Cash and Cash Equivalents	-			
	<u>22 354 754</u>	<u>-</u>	<u>-</u>	<u>-</u>

NAMA KHOI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
45	FINANCIAL INSTRUMENTS		
In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:			
The fair value of financial instruments approximates the amortised costs as reflected below.			
45.1	<u>Financial Assets</u>		
	<u>Classification</u>		
Investments			
Fixed Deposits	Financial instruments at amortised cost	-	-
Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	-	-
Rates (Re-negotiated terms)	Financial instruments at amortised cost	462 424	486 983
Councillor Allowances	Financial instruments at amortised cost	-	-
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	9 851 880	7 717 704
Receivables from non-exchange transactions	Financial instruments at amortised cost	1 781 066	1 783 944
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	1 198 217	4 557 881
Current Portion of Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	-	153 886
Sport Club Loans	Financial instruments at amortised cost	27 323	24 560
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	21 120 886	7 359 499
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	-	1 694 590
Cash Floats and Advances	Financial instruments at amortised cost	20 830	13 530
		34 462 626	23 792 577
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		34 462 626	23 792 577
At amortised cost		34 462 626	23 792 577
45.2	<u>Financial Liability</u>		
	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	10 669 336	12 345 970
Capitalised Lease Liability	Financial instruments at amortised cost	1 135 929	1 334 058
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	9 996 819	14 706 497
Arrear portion of long term liabilities	Financial instruments at amortised cost	-	797 188
Retentions	Financial instruments at amortised cost	860 233	860 233
Deposits	Financial instruments at amortised cost	29 480	27 389
Other	Financial instruments at amortised cost	830 850	1 436 782
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	19 366 863	4 526 665
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	(2 623 648)	(2 150 152)
Capitalised Lease Liability	Financial instruments at amortised cost	(295 688)	(276 904)
		39 970 174	33 607 726
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		39 970 174	33 607 726

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

46 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2011/2012.

47 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

48 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

49 CONTINGENT LIABILITY

The municipality is currently engaged in litigation which could result in costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

A Baartman	1 114 700	1 114 700
C Zandberg	522 694	522 694
J Carstens	351 842	351 842
M Cloete	60 000	60 000
J Adams	-	13 000
E Barnard	-	4 500
	2 049 236	2 066 736

50 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

50.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 16 to the Annual Financial Statements.

50.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements.

50.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

51 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

51.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

* Refuse tip-sites financed by way of a provision

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

51.2 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.

51.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

51.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- * Computer Software;
- * Intangible assets financed by way of finance leases;
- * Intangible assets transferred as a result of the transfer of functions; and
- * Servitudes.

The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being measured as Property, Plant and Equipment.

51.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale
Water

The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

**APPENDIX A - Unaudited
NAMA KHOI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Correction	Balance at 30 JUNE 2010 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
ANNUITY LOANS									
DBSA	12.0%	61001063	2016/03/31	1 893 532	-	1 893 532	-	231 392	1 662 140
DBSA	5.0%	61000603	2017/03/01	3 161 374	-	3 161 374	-	403 961	2 757 413
DBSA	5.0%	61000604	2012/03/01	307 019	-	307 019	-	106 808	200 211
DBSA	5.0%	61000605	2012/03/01	1 452 028	-	1 452 028	-	814 189	637 839
DBSA	13.4%	61002728	2015/06/30	773 387	-	773 387	-	117 417	655 970
DBSA	17.4%	61002729	2015/06/30	878 191	-	878 191	-	122 621	755 570
DBSA	15.6%	61002732	2011/06/30	44 513	-	44 513	-	44 513	-
DBSA	10.8%	61003324	2014/12/31	1 685 774	-	1 685 774	-	309 229	1 376 545
Total Annuity Loans				10 195 818	-	10 195 818	-	2 150 130	8 045 688
HIRE PURCHASES									
ABSA	10.00%	69164310	2010/10/01	7 792	-	7 792	-	7 792	-
ABSA	10.00%	69164329	2010/10/01	7 792	-	7 792	-	7 792	-
ABSA	10.01%	69160277	2010/10/01	26 013	-	26 013	-	26 013	-
ABSA	10.01%	49160285	2010/10/01	26 013	-	26 013	-	26 013	-
Total Hire Purchase				67 610	-	67 610	-	67 610	-
LEASE LIABILITY									
Winfin	9.04%		2010/10/01	13 029	(13 029)	-	-		-
Nashua	Various		Various	799 263		799 263	59 990	170 263	688 990
Smart	Various		2012/08/01	257 891		257 891		106 640	151 251
Total Lease Liabilities				1 070 183	(13 029)	1 057 154	59 990	276 903	840 241
TOTAL EXTERNAL LOANS				11 333 611	(13 029)	11 320 582	59 990	2 494 643	8 885 929

APPENDIX B - Unaudited
NAMA KHOI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL VOTES CLASSIFICATION

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
			<u>EXECUTIVE MAYOR & COUNCIL</u>			
85 030	(7 139 760)	(7 054 730)	Council General Administration	80 561	(6 735 700)	(6 655 139)
			<u>MUNICIPAL MANAGER</u>			
14 372 061	(14 401 236)	(29 175)	Office Of The Municipal Manager	351 543	(3 603 396)	(3 251 853)
-	(1 477 342)	(1 477 342)	Internal Auditing	-	(476 201)	(476 201)
-	(76 198)	(76 198)	Museum	-	(78 781)	(78 781)
			<u>CORPORATE SERVICES</u>			
273 587	(5 951 966)	(5 678 379)	Manager: Corporate Services	193 930	(6 223 252)	(6 029 322)
897 541	(931 636)	(34 095)	Human Resource Management	-	(1 693 419)	(1 693 419)
971 498	(865 177)	106 321	Municipal Property Management	796 254	(550 512)	245 742
-	(1 079 714)	(1 079 714)	Cleaning Service Mun Offices	-	(1 478 775)	(1 478 775)
			<u>FINANCIAL SERVICES</u>			
20 483 661	(12 574 574)	7 909 087	Manager: Financial Services	24 756 842	(7 844 036)	16 912 806
(241)	(247 592)	(247 833)	Income And Debtors Services	241	(250)	(9)
145	(84 139)	(83 994)	Expenditure & Supply Chain Man	11 065	(105 075)	(94 010)
20 096 156	(259 063)	19 837 093	Prop Rates & Valuation Service	22 060 825	(67 673)	21 993 152
			<u>COMMUNITY SERVICES</u>			
821 570	(760 868)	60 702	Manager: Community Development	-	(679 347)	(679 347)
6 287	(263 970)	(257 683)	Environmental Health Services	5 462	(187 461)	(181 999)
608 575	(1 277 169)	(668 594)	Libraries & Information Serv	36 883	(1 316 200)	(1 279 317)
39 888	(353 082)	(313 194)	Cemeteries	44 191	(176 771)	(132 580)
5 895	(618 361)	(612 466)	Parks & Open Areas	5 895	(624 388)	(618 493)
913 936	(1 848 426)	(934 490)	Sports Facilities	132 636	(527 642)	(395 006)
5 613 815	(6 918 745)	(1 304 930)	Refuse Rem & Waste Management	6 086 631	(7 110 714)	(1 024 083)
394 445	(588 419)	(193 974)	Commonage Farms - Concordia	296 222	(595 518)	(299 296)
231 850	(85 745)	146 105	Commonage Farms - Steinkopf	371 863	(366 563)	5 300
79 850	(18 409)	61 441	Commonage Farms - Komaggas	118 868	(2 055)	116 813
11 403	(16 355)	(4 952)	Commonage Farms - Springbok	13 550	(77 484)	(63 934)
36 978	(110 244)	(73 266)	Commonage Farms - Occ	45 882	(61 566)	(15 684)
			<u>PUBLIC SAFETY</u>			
12 909	(332 403)	(319 494)	Emergency, Fire & Disaster	38 144	(402 047)	(363 903)
27 516	(431 750)	(404 234)	Law Enforcement Services	52 710	(822 072)	(769 362)
1 290	(9 854)	(8 564)	Municipal Pound	(9 111)	(4 977)	(14 088)
1 938 858	(2 559 408)	(620 550)	Traffic Services	1 992 385	(2 536 263)	(543 878)
			<u>INFRASTRUCTURE,ENG & TECHNICAL</u>			
-	(261 735)	(261 735)	Manager:Infrastruct,Eng &Tech	-	(661 107)	(661 107)
-	(1 682 329)	(1 682 329)	Mechanical Eng Serv: Workshops	-	(1 916 586)	(1 916 586)
24 776	(6 991 916)	(6 967 140)	Roads	59 475	(2 895 762)	(2 836 287)
4 194 787	(8 537 723)	(4 342 936)	Sewerage & Sanitation Services	4 816 186	(6 356 146)	(1 539 960)
-	(467 248)	(467 248)	Vehicle, Plant & Machinry Hire	31 989	(947 614)	(915 625)
			<u>TRADING SERVICES</u>			
58 211 302	(33 321 212)	24 890 090	Electrical Engineering Service	39 284 923	(38 874 050)	410 873
686 796	(838 041)	(151 245)	Municipal Airport	148 170	(195 004)	(46 834)
22 640 795	(20 783 540)	1 857 255	Water Service	16 954 514	(19 854 535)	(2 900 021)
				-	-	-
153 682 959	(134 165 349)	19 517 610	Sub Total	118 778 729	(116 048 942)	2 729 787
(6 313 953)	6 937 460	623 507	Interdepartemental charges	(6 869 875)	7 573 724	703 849
147 369 006	(127 227 889)	20 141 117	Total	111 908 854	(108 475 218)	3 433 636

**APPENDIX C - Unaudited
NAMA KHOI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
3 755 266	(12 303 669)	(8 548 403)	Executive and Council	432 104	(10 815 296)	(10 383 192)
40 579 722	(13 165 369)	27 414 353	Budget and Treasury	46 828 973	(8 017 034)	38 811 939
1 171 128	(7 957 916)	(6 786 788)	Corporate Services	193 930	(9 395 446)	(9 201 516)
-	(29 593)	(29 593)	Planning and Development	-	-	-
-	-	-	Health	-	-	-
14 591 860	(16 327 090)	(1 735 230)	Community and Social Services	1 868 666	(4 729 167)	(2 860 501)
-	-	-	Housing	-	-	-
1 979 283	(3 248 152)	(1 268 869)	Public Safety	2 083 239	(3 760 383)	(1 677 144)
913 936	(1 848 426)	(934 490)	Sport and Recreation	132 636	(527 642)	(395 006)
6 287	(263 970)	(257 683)	Environmental Protection	5 462	(187 461)	(181 999)
5 613 815	(6 918 745)	(1 304 930)	Waste Management	6 086 631	(7 110 714)	(1 024 083)
4 194 787	(8 537 723)	(4 342 936)	Waste Water Management	4 816 186	(6 356 146)	(1 539 960)
24 776	(9 459 945)	(9 435 169)	Road Transport	91 464	(6 421 069)	(6 329 605)
22 640 795	(20 783 536)	1 857 259	Water	16 954 514	(19 854 535)	(2 900 021)
58 211 302	(33 321 213)	24 890 089	Electricity	39 284 923	(38 874 048)	410 875
						-
153 682 957	(134 165 347)	19 517 610	Total	118 778 728	(116 048 941)	2 729 787

**APPENDIX D - Unaudited
NAMA KHOI MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2010	Correction of error	Balance 1 JULY 2010	Grants Received	Write Offs/ Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R
<u>National Government Grants</u>								
Equitable Share	-	-	-	27 221 134	-	27 221 134	-	-
Local Government Financial Management Grant	(260 163)	-	(260 163)	1 200 000	-	1 433 205	-	(493 368)
DME: Electrification - Nama Khoi	(3 748 687)	-	(3 748 687)	15 000 000	-	-	7 422 680	3 828 633
Municipal Infrastructure Grant	1 062 268	-	1 062 268	12 052 050	-	-	7 514 139	5 600 179
Municipal Systems Improvement Grant	(357 930)	-	(357 930)	748 086	-	442 144	564 361	(616 349)
PUB WKS-EPWP GRANT	-	-	-	900 000	-	94 055	67 823	738 122
DWAF-Drought Relief Grant	-	-	-	172 402	-	260 590	-	(88 188)
DWAF: WSACDBP	479 654	-	479 654	49 111	-	-	-	528 765
Total National Government Grants	(2 824 858)	-	(2 824 858)	57 342 783	-	29 451 128	15 569 003	9 497 794
<u>Provincial Government Grants</u>								
Project Library	-	-	-	575 849	-	34 831	7 858	533 160
Health Subsidy	-	-	-	-	-	-	-	-
Taxi Rank	-	-	-	-	-	312	-	(312)
Department of Agriculture	(162 040)	-	(162 040)	162 040	-	-	-	-
Sports Development	308 500	-	308 500	-	-	-	284 084	24 416
Housing	1 825 075	1	1 825 074	21 548 103	-	16 120 617	-	7 252 560
Total Provincial Government Grants	1 971 535	1	1 971 534	22 285 992	-	16 155 760	291 942	7 809 824
<u>District Municipality Grants</u>								
Various Projects	851 168	-	851 168	-	-	-	46 782	804 386
Special projects	-	-	-	-	-	-	-	-
Fire	-	-	-	31 953	-	-	27 450	4 503
World Cup 2010	(29 061)	-	(29 061)	107 300	-	26 100	-	52 139
Total District Municipality Grants	822 107	-	822 107	139 253	-	26 100	74 232	861 028
<u>Other Grant Providers</u>								
DBSA	-	-	-	-	-	-	-	-
Total Other Grant Providers	-	-	-	-	-	-	-	-
Total	(31 216)	1	(31 217)	79 768 028	-	45 632 988	15 935 177	18 168 646